



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0145	Title:	Premium discounts in wildland-urban interface for certain property
Primary Sponsor:	Laible, Rick	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$11,077)	(\$46,306)	(\$47,413)	(\$48,409)
State Special Revenue	(\$2,456)	(\$10,268)	(\$10,514)	(\$10,734)
Net Impact-General Fund Balance	<u>(\$11,077)</u>	<u>(\$46,306)</u>	<u>(\$47,413)</u>	<u>(\$48,409)</u>

Description of fiscal impact:

SB 145 provides for insurance premium discounts resulting from fire hazard mitigation by owners of property subject to mitigation best practices or international standards. The fiscal impact results from premium discounts offered which reduce premium taxes paid.

FISCAL ANALYSIS

Assumptions:

State Auditor's Office (SAO)

1. The bill becomes effective October 1, 2009.
2. All fire insurance premiums would be eligible for a discount.
3. Approximately 10% of eligible property owners will take the initiative to reduce fire hazards.
4. Insurance companies will offer a 5% discount.
5. The insurance premium tax rate is 2.75% of all premiums written and the fire and casualty insurance surtax rate is an additional 2.25% on fire and casualty insurance premiums.
6. Premium taxes for calendar year activity is payable coincident with the report filed by March 1 of the year following the premium activity. For FY 2010 only one calendar quarter would receive a discount.

7. Actual homeowner multi-peril insurance premiums for FY 2007 were \$180.2 million and fire insurance premiums of \$20.5 million.
8. Premiums are projected using premium tax growth before offsets for FY 2008 and FY 2009. HJR2 growth rates are used for FY 2010 and FY 2011; OBPP estimate premium tax growth rates are used for FY 2012 and FY 2013. The revenue impact of assumptions 1 through 8 are presented in the following table:

Potential Impact SB 145 Fire Insurance Discounts on Insurance Premium Tax Collections							
	Actual FY 2007	Estimate FY 2008	Estimate FY 2009	Estimate FY 2010	Estimate FY 2011	Estimate FY 2012	Estimate FY 2013
Total Premiums	\$200,700,000	\$209,129,400	\$228,578,434	\$216,532,351	\$226,297,960	\$231,706,481	\$236,572,317
Premium Growth		4.2%	9.3%	-5.3%	4.5%	2.4%	2.1%
Premiums Eligible for Discount (25% of CY 2009)				\$54,133,088			
Insurance Premium Tax							
Tax rate				2.75%	2.75%	2.75%	2.75%
Discount				5.00%	5.00%	5.00%	5.00%
Participation				10.00%	10.00%	10.00%	10.00%
Total Tax				7,443	31,116	31,860	32,529
Distribution							
SSR I-155 (1/3)				\$2,456	\$10,268	\$10,514	\$10,734
General Fund (2/3)				\$4,987	\$20,848	\$21,346	\$21,794
Fire Marshall Tax							
Tax rate				2.25%	2.25%	2.25%	2.25%
Discount				5.00%	5.00%	5.00%	5.00%
Participation				10.00%	10.00%	10.00%	10.00%
General Fund				\$6,089.97	\$25,458.52	\$26,066.98	\$26,614.39
Total							
General Fund				\$ 11,077	\$ 46,306	\$ 47,413	\$ 48,409
SSR				\$ 2,456	\$ 10,268	\$ 10,514	\$ 10,734

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	(\$11,077)	(\$46,306)	(\$47,413)	(\$48,409)
State Special Revenue (02)	(\$2,456)	(\$10,268)	(\$10,514)	(\$10,734)
TOTAL Revenues	(\$13,533)	(\$56,574)	(\$57,927)	(\$59,143)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$11,077)	(\$46,306)	(\$47,413)	(\$48,409)
State Special Revenue (02)	(\$2,456)	(\$10,268)	(\$10,514)	(\$10,734)

Technical Notes:

1. The approval by the commissioner of discounts should be moved to Chapter 16, Part 2, MCA, and the commissioner needs to be given the authority to approve rate discounts.

Sponsor's Initials

Date

Budget Director's Initials

Date